

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 1868

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SUBJ: GOVERNMENT BUDGET FOR FY 1974/75

1. FINANCE MINISTER SAPIR TABLED FY 1974/75 BUDGET IN KNESSET ON MARCH 14. BUDGET FORESEES EXPENDITURES OF IL 35.4 BILLION (\$8.4 BILLION) FOR FISCAL YEAR BEGINNING APRIL 1. BUDGET INCLUDES IL 14.4 BILLION (\$3.5 BILLION) FOR DEFENSE. REVENUE FROM TAXES, FEES AND COMPULSORY LOANS IS EXPECTED TO REACH IL 20.4 BILLION (\$4.9 BILLION) OR 58 PERCENT OF TOTAL BUDGET. REMAINDER IS BORROWING INCLUDING IL 6.9 BILLION (\$1.6 BILLION) IN FOREIGN LOANS WHICH, EXPECT FOR MINOR AMOUNTS FROM WEST GERMANY AND WORLD BANK, MEANS ESSENTIALLY FROM USG.

2. EXPENDITURE IS DIVIDED BETWEEN ORDINARY BUDGET OF IL 27.6 BILLION (\$6.6 BILLION) AND DEVELOPMENT BUDGET OF \$7.7 BILLION (\$1.8 BILLION). ASIDE FROM DEFENSE, LARGEST ITEMS OF CURRENT EXPENDITURE ARE FOR MINISTRY OF EDUCATION AND CULTURE (IL 4.6 BILLION), PARTICIPATION IN BROADCASTING AUTHORITY BUDGET (IL 2.0 BILLION), EXPORT INCENTIVES (IL 1.5 BILLION), INTEREST PAYMENTS ON DEBTS, FOREIGN AND DOMESTIC (IL 2.8 BILLION). IN THE DEVELOPMENT BUDGET, DEBT REPAYMENTS, FOREIGN AND DOMESTIC, WILL TAKE IL 3.1 BILLION. DEVELOPMENT EXPENDITURES WILL AMOUNT TO IL 4.0 BILLION, OF WHICH IL 1.8 BILLION IS ALLOCATED FOR HOUSING;
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THIS COMPARES WITH IL 1.0 BILLION IN PRESENT YEARS BUDGET.

3. BIGGEST QUESTION ABOUT BUDGET IS WHETHER IT WILL BE ONE AND ONLY BUDGET FOR FY 1974;75, OR WILL HAVE TO BE SUPPLEMENTED LATER ON, AS HAS HAPPENED EVERY YEAR FOR LAST FIVE YEARS. BUDGET CONTAINS IL 1.4 BILLION IN RESERVES FOR CONTINGENCIES, AND IL 1.0 BILLION IN "SPECIAL BUDGETS", WHICH IS GENERALLY ASCRIBED TO NATIONAL SECURITY. IN PAST YEARS INFLATION HAS BEEN ONE OF MAIN REASONS FOR SUPPLEMENTARY BUDGETS. OFFICIAL FORECAST FOR THIS YEAR IS THAT INFLATION WILL REACH 13 PERCENT IN FIRST QUARTER OF 1974, BUT WILL TOTAL ONLY 9 PERCENT FOR REST OF YEAR. THIS OPTIMISTIC FORECAST MAY BE AIMED PRIMARLY AT TRANQUILIZING WAGE DEMANDS IN FORTHCOMING NATIONAL WAGE NEGOTIATIONS. WE BELIEVE RATE OF INFLATION COULD WELL BE 2 PERCENT PER MONTH FOR REST OF YEAR, RATHER THAN ONE PERCENT PER MONTH.

4. DEFENSE EXPENDITURES ARE EXPECTED TO AMOUNT TO 42 PERCENT OF ENTIRE BUDGET, AND WILL CONSTITUTE 30 PERCENT OF ISRAEL'S GROSS NATIONAL PRODUCT IN 1974.

5. MORE DETAILED ANALYSIS OF BUDGET WILL FOLLOW.
KEATING

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